

ORIGINAL

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September 3, 1997

BY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: General Wireless, Inc.
Docket No. ET 97-82
Notice of Ex Parte Communication

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's rules, General Wireless, Inc. ("GWI") hereby submits an original and one copy of this Notice of Ex Parte Communication.

On September 2, 1997, GWI sent via facsimile the enclosed submission to Jon Garcia of the Office of Plans and Policy regarding further options for C block debt restructuring in the above-referenced proceeding. On September 3, 1997, Roger Linquist, GWI's CEO, spoke via telephone with Jon Garcia about the enclosed submission.

Respectfully submitted,

Jennifer P. Brovey

Jay L. Birnbaum
Jennifer P. Brovey*
Counsel for General Wireless, Inc.

Enclosure

cc: Jon Garcia (w/encl.)

* Admitted in New York only.

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FCC C-Block Restructuring

September 2, 1997

Implicit Commission Objective Involving C-Block Public Notice

Assuming the objective is to find an alternative to bankruptcy courts, the Commission's re-auction option should strike a balance between downpayment credits and imposed penalties that....

- ☐ Provides meaningful incentives for participating licensees to turn back licenses, while it....
- ☐ Provides sufficient discouragement to other licensees that do not need restructuring through imposed penalties

The combination of re-auction, time delays plus a small down payment forfeiture accomplishes this objective

Unsecured Creditors and Equity Investors Have a Decision to Make

Decision

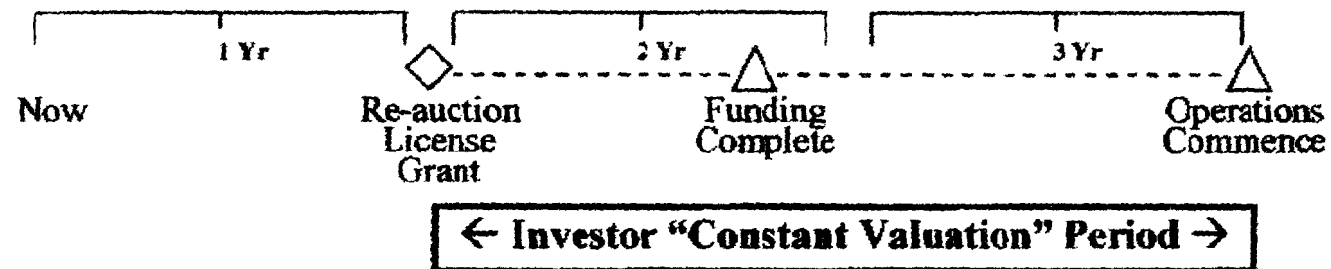
- Elect bankruptcy
- or
- Elect to return licenses under “amnesty” re-auction

Key Issues

- Timing of solution
- View of risk/reward

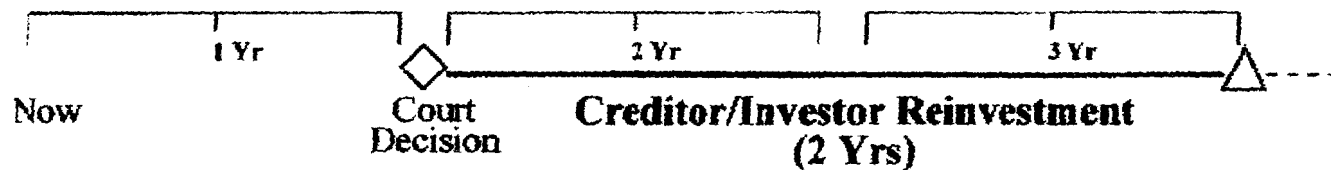
Creditors/Investors Have Timing Considerations

Re-Auction Scenario

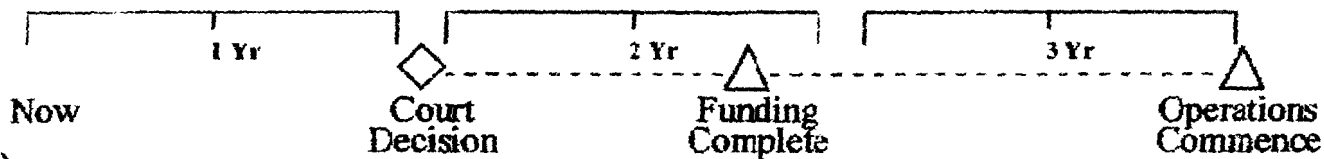


Bankruptcy Scenario

(A) FCC gets
licenses back



(B) Company
Cash Bid
Set to FMV
(keep licenses)



Bankruptcy Scenario: Unsecured Creditors Settle for Break-up Fee and Return Licenses

3 Year Time Horizon to Investment Indifference Point

	<u>Unsecured Creditors</u>	<u>Equity Investors</u>
<input type="checkbox"/> "Break-Up" Fee	20¢/\$	-
<input type="checkbox"/> Capital Loss Tax Credit (@ 25% state/federal)	20¢/\$	25¢/\$
	<hr/> 40¢/\$	<hr/> 25¢/\$
<div style="border: 1px solid black; padding: 5px; display: inline-block;">Plus</div>		
<input type="checkbox"/> Reinvestment rate for 2 years (@ cost of capital)		
- 25%	63¢/\$	39¢/\$
- 30%	<div style="border: 1px solid black; padding: 2px;">68</div>	42
- 35%	73	<div style="border: 1px solid black; padding: 2px;">46</div>
- 40%	78	49

The majority of unsecured creditor \$ are with foreign investors that cannot hold equity currently due to foreign ownership rules

Investors Have Reduced Ownership With the Commission's Control Group Rules for DEs

Investor situation with downpayment penalty...

"Store Credit" Allowance	Control Group Ownership ¢/\$		
	15% Minimum	25%	35%
100%	85 ¢/\$	75 ¢/\$	65 ¢/\$
90%	77	68	59
80%	68	60	52
75%	64	56	49
70%	60	53	46
60%	51	45	39
50%	43	38	33

Spectrum Investment in C-Block Portends Very High Future Risk Premiums

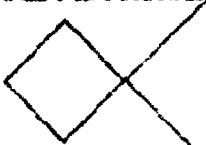
Risk premiums driven by...

- ☐ **New Money Raising Issues** — stigma of losing money for current investors
- ☐ **Late-to-Market Issues**
 - 3 to 4 years after A/B block system activation
 - 1 to 2 years after D/E/F block system activation
- ☐ **Scale Issues**
 - License Pops achievable in all-cash auction
 - Likelihood of a public offering low under 10 million Pops
 - Vendor financing deals become more expensive
- ☐ **Dilution Issues**
 - Unclear what financial markets will value spectrum at one year from now

Unsecured Creditors and Equity Investors Will Make Their Decision Based on Expected Value of Probable Outcomes

Expected Value Example (2 Year Re-Investment Time Horizon)

- Unsecured Creditors -

	Unsecured Creditors Valuation	Probability of Occurrence	Expected Value
Bankruptcy Court Decision 	(A) FCC gets licenses back with break-up fee	68¢/\$	X 50% = 34¢/\$
	(B) Company keeps licenses valued at FMV	85¢/\$	X 50% = 42¢/\$
			100% = 76¢/\$

Expected Value of Outcomes in Bankruptcy Preclude Acceptance of a Significant Forfeiture of Down Payment

Expected Value of Outcomes

	I	II	III
<input type="checkbox"/> <u>Probability</u>			
• FCC re-claims licenses	80%	50%	20%
• Company keeps licenses @ FMV	20%	50%	80%
 <input type="checkbox"/> <u>FCC "Store Credit" Allowance Indifference</u>			
• Unsecured creditor	71¢/\$	76¢/\$	82¢/\$
• Equity Investor	54¢/\$	66¢/\$	77¢/\$

At 50/50 Probability That the Company Keeps its Licenses and Pays Current FMV - Down Payment Credit Ranges Between 75% and 90%

Bankruptcy 50/50 Probability Case

<u>Security Holder</u>	<u>Expected Value</u>	<u>% of Down Payment Credit in Re-Auction</u>	
		¢/\$	%
		85	100
<input type="checkbox"/> Unsecured Creditor	76¢/\$ -----	77	90
		68	80
<input type="checkbox"/> Equity Investor	66¢/\$ -----	64	75
		60	70
		51	60
		43	50

Unsecured creditors dominate the decision to turn back licenses to the Commission

Summary

What's needed now is a viable alternative to move forward so DEs can start building cell sites rather than working with lawyers.